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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/648,582	08/25/2000	Clint Ashford	MDLN.P001	5782

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COURTNEY STANIFORD & GREGORY LLP
P.O. BOX 9686
SAN JOSE, CA 95157

EXAMINER
PASS, NATALIE

ART UNIT	PAPER NUMBER
3626	

MAIL DATE	DELIVERY MODE
06/15/2007	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	09/648,582	ASHFORD ET AL.	
	Examiner	Art Unit	
	Natalie A. Pass	3626	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *23 March 2007*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-3,7-9,16,17 and 55* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-3, 7-9, 16-17, and 55* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Notice to Applicant

1. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submissions filed on 23 March 2007 have been entered.

2. This communication is in response to the Request for Continued Examination and amendment and Affidavit filed 23 March 2007. Claims 31-54 have been withdrawn. Claims 4-6, 10-15, 18-30, 56-58 have been previously cancelled. Claims 1-3, 7-9, 16-17, and 55 remain pending. The Affidavit filed 23 March 2007 has been entered and considered.

Affidavit

3. Applicant has submitted an affidavit to remove "Celadon Health Signs With Symmetry; Physician Incentive System Will Use Episode Treatment Groups," PR Newswire. June 2000. URL:
<http://proquest.umi.com/pqdweb?did=55354639&sid=10&Fmt=3&clientId=19649&RQT=309&VName=PQD>, hereinafter known as Celadon, as a reference applied under 35 U.S.C. § 103(a) in the previous Office Action. The affidavit under 37 CFR 1.132 filed 23 March 2007 has been considered and is sufficient to overcome the rejection of claims 1-3, 7-9, 16-17, and 55.

Claim Rejections - 35 USC § 112

4. The following is a quotation of the first paragraph of 35 U.S.C. 112:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

5. Claims 1-3, 7-9, 16-17, and 55 are rejected under 35 U.S.C. 112, first paragraph, as containing subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention.

(A) Independent claims 1 and 55 recite limitations that are new matter, and are therefore rejected. The added material which is not supported by the original disclosure is as follows:

- "a targeted monetary incentive" as disclosed in claims 1 and 55 at lines 23, respectively.

35 U.S.C. 132 states that no amendment shall introduce new matter into the disclosure of the invention. "New matter" constitutes any material which meets the following criteria:

a) It is added to the disclosure (either the specification, the claims, or the drawings) after the filing date of the application, and

b) It contains new information which is neither included nor implied in the original version of the disclosure. This includes the addition of physical properties, new uses, etc.

In particular, the Examiner was unable able to find any support for this added language within the specification as originally filed on 25 August 2000. Applicant is respectfully requested to clarify the above issues and to specifically point out support for the newly added limitations in the originally filed specification and claims.

(B) Claims 2-3, 7-9, 16-17 incorporate the features of independent claim 1, through dependency, and are also rejected.

Applicant is required to cancel the new matter in the reply to this Office Action.

6. If Applicant continues to prosecute the application, revision of the specification and claims to present the application in proper form is required. While an application can, be amended to make it clearly understandable, no subject matter can be added that was not disclosed in the application as originally filed on 25 August 2000.

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the m3anner in which the invention was made.

NOTE: The following rejections assume that the subject matter added in 6 July 2006 amendment are NOT new matter, and are provided hereinbelow for Applicant's consideration, on the condition that Applicant properly traverses the new matter objections and rejections made in sections 4-6 above in the next communication sent in response to the present Office Action.

8. Claims 1-3, 7, 9, 16-17, 55 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kessler et al., U.S. Patent Number 5, 324, 077 in view of Bitran, et al, Provider Incentives and Productive Efficiency in Government Health Services document, September, 1992. URL: <http://www.phrplus.org/Pubs/hfsmar1.pdf>, hereinafter known as Bitran, and Seare, U.S. Patent Number 5, 557, 514 for substantially the same reasons as in the previous Office Action (paper number 20060907) and further in view of Boyden article, "The appropriate use of financial incentives to encourage preventive care in general practice," May 2000. URL: <http://www.buseco.monash.edu.au/centres/che/pubs/rr18.pdf>, hereinafter known as Boyden. Further reasons appear hereinbelow.

(A) As per claim 1, Kessler teaches a computer-implemented method, executed in a first computer operated by an incentive administrator that is coupled to a second computer operated by a payer and a third computer operated by a healthcare provider, of providing a monetary incentive payable to the healthcare provider upon completion of a course of treatment for a patient with a condition during an episode of care, the method comprising the steps of:

creating an initial "dollar limit" (reads on "baseline value") related to treatment of the condition (Kessler; column 13, lines 15-33);

receiving over the computer network from the payer a diagnosis of the patient performed by the healthcare provider and provided by the healthcare provider to the payer (Kessler; Figure 1, column 8, lines 29-33, column 14, lines 49-64) along with an associated cost quantified by the initial baseline value (Kessler; column 13, lines 15-33);

creating an "ambulatory visit" (reads on "episode of care") based upon the diagnosis of the healthcare provider and a decided course of treatment for the condition (Kessler; column 4, lines 60-67, column 14, lines 49-52);

verifying that the episode of care is not an outlier case representing an extreme condition that costs significantly more than the cost associated with the initial baseline value (Kessler; column 12, lines 11-22); Examiner interprets Kessler's teachings of employing a "large statistically accurate data base" and analysis of cost control while "having a readily available data base with extensive data on every ... [...] ... visit" (Kessler; column 12, lines 11-22) to include verifying that the episode of care is not an outlier case;

verifying that the episode of care is not subject to "fraud" or "abuses" (reads on "gaming effects") (Kessler; column 11, line 55 to column 12, line 1); and

summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a full cost of the ambulatory visit (reads on "total treatment cost") (Kessler; column 4, lines 25-28);

adjusting the initial baseline value (Kessler; column 13, lines 15-33); Examiner interprets Kessler's teachings of "the limit can be adjusted" to be a form of adjusting the baseline value.

Kessler fails to explicitly disclose

determining if the total treatment cost is less than the adjusted baseline value, thus resulting in a cost savings for the decided course of treatment;

determining a portion of the cost savings to be retained by the incentive administrator.

However, the above features are well-known in the art, as evidenced by Bitran.

In particular, Bitran teaches

determining if the total treatment cost is less than the capitation level (reads on "baseline value"), thus resulting in a cost savings (Bitran; page 31, paragraph 4); and

determining a portion of the cost savings to be retained by the incentive administrator (Bitran; page 34, paragraph 3 to page 35, paragraph 1).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of Kessler to include these limitations, as taught by Bitran, with the motivations of significantly improving cost effectiveness and physician utilization through the use of private sector incentive schemes such as the use of financial incentives linking individual incomes to reductions in costs (Bitran; page 31, paragraph 3, page 34, paragraph 1, paragraph 4).

Although Kessler teaches factoring in cost offsets due to inflation and technological advances (Kessler; column 13, lines 15-33), Kessler fails to explicitly disclose factoring in any effects due to comorbidity.

However, the above features are well-known in the art, as evidenced by Seare.

In particular, Seare teaches a method further comprising

factoring in any effects due to comorbidity (Seare; column 24, lines 38-40).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the combined teachings of Kessler and Bitran to include these limitations, as taught by Seare, with the motivations of analyzing historical medical provider billings to statistically establish a normative profile, enabling comparison of a medical provider's profile with a normative profile, creating an accurate model of the cost of a specific medical episode based on historical treatment patterns and a fee schedule, enabling comparison of various

treatment patterns for a particular diagnosis by treatment cost and patient outcome to determine the most cost-effective treatment approach, and identifying those medical providers who provide treatment that does not fall within the statistically established treatment patterns or profiles (Seare; Abstract).

Although Kessler, Bitran and Seare teach sending monetary incentives to healthcare providers to keep "actual costs" below the baseline (reads on "causing a portion of the cost savings to be sent to the healthcare provider in the form of a monetary incentive") (Bitran; page 31, paragraph 4), and incentives calculated per patient visit (reads on "individually calculated based on the episode of care") (Bitran; page 5, paragraph 4) and the "monetary incentives calculated as a fixed percentage of ... [...] ... the difference between total revenue and the total cost" (reads on correlated to the total treatment cost") (Bitran; page 2, paragraph 2, page 45, paragraph 2), the combined applied art fails to explicitly disclose a targeted incentive.

However, the above features are well-known in the art, as evidenced by Boyden.

In particular, Boyden teaches a method further comprising

a targeted monetary incentive (Boyden; page i, last paragraph, paragraph bridging pages 8-9, page 15, paragraph 5).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the combined teachings of Kessler, Bitran and Seare to include these limitations, as taught by Boyden, with the motivations of using financial incentives "to improve allocative efficiency," "to reduce costs by providing incentives to primary care doctors who limit their use of hospital services and rate of referrals to specialists" and to affect doctors' prescribing behaviour, and reduce "prescribing rates and costs" (Boyden; paragraph bridging pages 8-9).

(B) As per claims 2-3, 7, 9, 16-17, Kessler, Bitran, Seare, and Boyden teach a method as analyzed and discussed in claim 1 above, wherein

the initial "dollar limit" (reads on "baseline value") represents a typical cost for providing treatment for the episode of care (Kessler; column 13, lines 15-33);

wherein the payer comprises an insurance company (Kessler; column 4, lines 28-33, column 8, lines 29-33, column 14, lines 49-64);

further comprising the step of reporting (reads on "providing") post analysis comparative data to the healthcare provider, the post analysis comparative data containing suggestions on how services can be provided in a more cost-effective manner (Seare; column 1, lines 20-32, column 4, lines 44-52, column 20, lines 53-61) (Boyden; page 7, paragraph 4) (Bitran, page 27, paragraph 1);

further comprising determining a factor for calculating a partial incentive payment in the event the patient does not complete the course of treatment (Kessler; Abstract);

where the step of creating the dollar limit (reads on baseline value) establishes the baseline value using a plurality of data relating to a plurality of previous episodes of care for the same condition (Kessler; column 13, lines 15-33); and

wherein prior to the step of creating the initial baseline is the step of filtering to remove outlier episodes of care for the same condition to thereby establish the plurality of data relating to a plurality of previous episodes of care for the same condition (Seare; see at least Figure 14, column 4, lines 39-43, column 8, line 49 to column 9, line 20, column 12, lines 49-67, column 21, lines 37-43, column 24, lines 3-12).

The motivations to combine the respective teachings of Kessler, Bitran, Seare, and Boyden are as discussed in claim 1 above, and incorporated herein.

(C) Apparatus claim 55 repeats the subject matter of claim 1, respectively, as a set of "means-plus-function" elements rather than a series of steps. As the underlying processes of claim 1 have been shown to be obvious in view of the teachings of Kessler, Bitran, Seare, and Boyden in the above rejections of claim 1, it is readily apparent that the system disclosed by Kessler, Bitran, Seare, and Boyden includes the apparatus to perform these functions. As such, these limitations are rejected of the same reasons given above for method claim 1, and incorporated herein.

9. Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Kessler et al., U.S. Patent Number 5, 324, 077 in view of Bitran, et al, Provider Incentives and Productive Efficiency in Government Health Services document, September, 1992. URL: <http://www.phrplus.org/Pubs/hfsmar1.pdf>, hereinafter known as Bitran, and Seare, U.S. Patent Number 5, 557, 514 and Boyden article, "The appropriate use of financial incentives to encourage preventive care in general practice," May 2000. URL: <http://www.buseco.monash.edu.au/centres/che/pubs/rr18.pdf>, hereinafter known as Boyden, as applied to claim 1 above, and further in view of Spiro, U.S. Patent Number 5, 819, 228 for substantially the same reasons as in the previous Office Action (paper number 20060907). Further reasons appear hereinbelow.

(A) As per claim 8, Kessler, Bitran, Seare, and Boyden teach a method as analyzed and discussed in claim 1 above

further including determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the baseline value (Bitran; see at least page 18, paragraph 3, page 24, paragraph 5, page 29, paragraph 2, page 31, paragraph 4).

Kessler, Bitran, Seare, and Boyden fail to explicitly disclose

wherein during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care and the step of adjusting the initial baseline value further includes the step of factoring in the additional condition the method further including the steps of:

associating another baseline value related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition;

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost; and

determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the another baseline value.

However, the above features are well-known in the art, as evidenced by Spiro.

In particular, Spiro teaches

a method wherein during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care and the step of adjusting the initial baseline value further includes the step of factoring in the additional condition or "other parameters" (Spiro; column 2, line 47 to column 3, line 30, column 7, lines 15-55, column 9, line 14 to column 10, line 25), the method further including the steps of:

associating another relative value unit (reads on "baseline value") related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition (Spiro; Figure 9, column 2, line 47 to column 3, line 30, column 7, lines 15-26, column 9, lines 14-61); and

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost (Spiro; column 7, lines 24-55, column 9, line 30 to column 10, line 25).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the collective teachings of Kessler, Bitran, Seare, and Boyden to include these limitations, as taught by Spiro, with the motivations of most efficiently utilizing the test procedures available without ordering or requiring unnecessary or questionable tests and minimize unnecessary procedures by providing incentive for providers of medical services (Spiro; column 2, lines 36-43).

The motivations to combine the respective teachings of Kessler, Bitran, Seare, and Boyden are as discussed in claim 1 above, and incorporated herein.

Response to Arguments

10. Applicant's arguments filed 23 March 2007 have been fully considered and they are persuasive. Applicant's arguments will be addressed hereinbelow in the order in which they appear in the response filed 23 March 2007.

(A) Applicant's arguments on pages 10-11 of the response filed 23 March 2007 with respect to the Celadon reference have been considered and accordingly this reference has been removed.

Conclusion

11. Any response to this action should be mailed to:

Commissioner of Patents and Trademarks
Washington D.C. 20231

or faxed to: **(703) 305-7687.**
For informal or draft communications, please label "PROPOSED" or "DRAFT" on the front page of the communication and do NOT sign the communication.
After Final communications should be labeled "Box AF."

12. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Natalie A. Pass whose telephone number is (571) 272-6774. The examiner can normally be reached on Monday through Thursday from 9:00 AM to 6:30 PM. The examiner can also be reached on alternate Fridays.

13. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas, can be reached at (571) 272-6776. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Receptionist whose telephone number is (571) 272-3600.

14. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Natalie A. Pass

June 11, 2007

Andrew Joseph Rudy
Primary Examiner